



SouthDakota

Legislative Research Council

MINUTES

Joint Interim

Committee on Appropriations

Representative Justin Cronin, Chair
Senator Deb Peters, Vice Chair

Fourth Meeting
2015 Interim
January 11, 2016

LCR 1
State Capitol Building
Pierre, South Dakota

The fourth meeting of the Joint Interim Committee on Appropriations for 2015 was called to order by the Chair, **Representative Justin Cronin**, at 8:30 a.m. in LCR 1 of the State Capitol, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Representative Justin Cronin, Chair; Senator Deb Peters, Vice Chair; Representatives David Anderson, Dan Dryden, Jean Hunhoff, Alex Jensen, Jeffrey Partridge (via telephone), and Fred Romkema; Senators Angie Buhl O'Donnell (via telephone), Teri Haverly, Phyllis Heineman (via telephone), David Omdahl, Scott Parsley, Larry Tidemann, Bill Van Gerpen, and Jim White. Excused were Representatives Shawn Bordeaux and Ray Ring.

Staff members present included Annie Mehlhaff, Chief Fiscal Analyst; Aaron Olson, Principal Fiscal Analyst; Denice Houlette, Senior Fiscal Analyst; Jason Simmons, Senior Fiscal Analyst; Stephanie Gruba, Fiscal Analyst; and Cindy Tryon, Senior Legislative Secretary.

NOTE: For purpose of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents distributed at the meeting are attached to the original minutes on file in the Legislative Research Council office. This meeting was web cast live. The archived web cast is available at the LRC web site at <http://legis.sd.gov>.

Approval of Minutes

A MOTION WAS MADE BY SENATOR HAVERLY, SECONDED BY REPRESENTATIVE PARTRIDGE, TO APPROVE THE MINUTES OF THE JULY 21, 2015, MEETING OF THE INTERIM JOINT COMMITTEE ON APPROPRIATIONS. The motion prevailed on a voice vote.

Representative David Anderson introduced his father, former-Representative Larry Anderson who had at one time served as chair of the House Appropriations Committee.

Bureau of Finance and Management FY2016 Presentation Overview

Commissioner Jason Dilges, Bureau of Finance and Management, gave a PowerPoint presentation, "Budget Overview, South Dakota Bureau of Finance and Management, 1/11/2016" ([Document #1](#)). This document expounds on the Governor's budget address by first examining the FY2016 data and then explaining more thoroughly the FY2017 proposals.

Senator Bill Van Gerpen asked about the increase in the collection of tobacco taxes. **Mr. Jim Terwilliger, State Economist, Bureau of Finance and Management**, said that the closing of some “roll your own” tobacco shops may have had some effect on the amount of tax collected. He said that the cigarette wholesalers buy several rolls of stamps at a time and some may have bought ahead in July and August. **Senator Deb Peters** pointed out that there was some change to the way the tax is collected and that also may have had some effect on the increase. Mr. Terwilliger said that they will continue to study why there was such a large increase and will report back to the committee.

Commissioner Dilges discussed the one-time revenue estimates for FY2016. **Representative Dan Dryden** asked why the one-time revenue from the Department of Corrections was \$5 million. Commissioner Dilges explained that the Department of Corrections collects money from the businesses they operate and they are given expenditure authority to use those funds. The \$5 million represents the amount of cash in aggregate and the transfer is from those funds.

Representative Jean Hunhoff asked about the petroleum release compensation fund. Commissioner Dilges said that most of the underground tanks have been removed which means the expenditures continue to decrease, and this represents a cash surplus that occurs year after year.

In response to questions from Senator Van Gerpen regarding the petroleum release compensation fund, Commissioner Dilges said that more detailed information can be found in the Petroleum Release Compensation Fund and Tank Inspection Fee issue memorandum that was prepared by the Legislative Research Council in 2014 ([Document #2](#)). Commissioner Dilges added that the \$3.5 million one-time revenue from the petroleum release compensation fund is above the \$2 million balance that remains in the fund.

Commissioner Dilges then went through the one-time funds slides. These one-time reduced expenditures mean that there is an additional \$60 million that can be redistributed this year. Commissioner Dilges then presented their proposals for where that additional \$60 million could be used.

Senator Scott Parsley asked if the \$42.3 million that would be used to prepay bonds is one-time money. Commissioner Dilges said that it is one-time funds that would have an ongoing benefit. Using this money to prepay bonds would cover part of the cost of a tuition freeze for one year, and the early payment of the bonds creates \$3.7 million of ongoing savings.

Senator Angie Buhl O'Donnell asked about the \$2.9 million going to the extraordinary litigation fund. Commissioner Dilges explained that the litigation fund was established during Governor Rounds' administration to cover litigation for which funding needs to be found. Some cases are in litigation now and Commissioner Dilges was not able to comment further on the details.

Commissioner Dilges presented the 2016 General Fund Increases slides.

Representative Jean Hunhoff asked why the correctional healthcare shortfall was not addressed by a transfer of funds from the Department of Corrections. Commissioner Dilges said that this process is more transparent. Representative Hunhoff said that she believes using the budget transfer process would be more transparent.

Commissioner Dilges presented the FY2016 Bottom Line slide showing an unobligated net balance of \$48,809.

The committee discussed the obligation recovery center that was established during the 2015 Legislative Session. **Representative Jeffrey Partridge** serves on the obligation recovery center's advisory council and said that a communication plan is being prepared that will explain the program in more detail. **Senator Terri Haverly** also serves on the advisory council and said that she will be happy to provide more information to the committee at another time.

Bureau of Finance and Management FY2017 Presentation Overview

Commissioner Jason Dilges, Bureau of Finance and Management, continued his PowerPoint presentation, "Budget Overview, South Dakota Bureau of Finance and Management, 1/11/2016" explaining more thoroughly the FY2017 budget proposals ([Document #1](#)).

The ongoing revenue projections estimate about \$51 million in growth. One area that has a projected decrease in revenue is Unclaimed Property. The State Treasurer's Office has increased its efforts to find the owners of unclaimed property and these successful searches decrease the amount from that program that is available to go into the general fund.

Commissioner Dilges then explained the FY2017 ongoing general fund proposals. **Senator Larry Tidemann** asked about the competitive raise package for Board of Regents' professors and administrators. **Mr. Stephen Kohler, Chief Budget Analyst, Bureau of Finance and Management**, responded that the salary competitiveness fee of 1% that is added to professors' and administrators' salary packages applies to all professors, not just those paid through tuition.

Commissioner Dilges said that the 2.7% increase for providers applies to all providers including those already at the 90% target amount. This amount is based on each provider's allowable cost report.

Commissioner Dilges presented each of the slides in the FY2017 recommended expense overview explaining the total proposed general fund increase.

Adjourn

SENATOR PETERS MOVED, SECONDED BY REPRESENTATIVE ANDERSON, TO ADJOURN. The motion prevailed on a voice vote.

The Committee adjourned at 12:00 p.m.